



MINUTES OF THE CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

For the meeting held on
Tuesday, February 24, 2009 -- 1:30 p.m.
980 9th Street, 2nd Floor Conference Center, Rooms A & B
Sacramento, California 95814

Chairman Dale Bonner called the meeting of the California Infrastructure and Economic Development Bank (I-Bank) Board to order at approximately 1:33 p.m.

1. Call To Order and Roll Call.

The following Board members were in attendance:

Dale Bonner, Secretary of the Business, Transportation and Housing Agency.

Jennifer Rockwell represented the Director of the Department of Finance.

Francisco Lujano represented the State Treasurer.

D. Everett Rice, Governor's appointee.

The following Board member was absent:

Rosario Marin, Secretary of the State and Consumers Services Agency.

The following I-Bank staff members were in attendance:

Stan Hazelroth, Roma Cristia-Plant, Diane Cummings, Paula Connors and Molly Arnold.

2. Executive Director's Report.

Executive Director Stan Hazelroth reported the following to the Board:

- All Board members were provided a copy of the Bagley-Keene Open Meeting Act to comply with Government Code section 11121.9.
- The contract for audit services with Gilbert Associates has expired. Staff is working on a Request for Qualifications for a new auditor and a Request for Qualifications for accounting services to provide assistance with compliance of governmental accounting rules. Staff anticipates bringing to the board auditor and accountant firm selection recommendations for consideration in March or April.
- Mr. Hazelroth traveled to Washington D.C. January 11-14, to brief key Congressional staff and other interested parties about the methodology used by the I-Bank to allocate and leverage over \$30 billion for infrastructure in California over the last ten years. The I-Bank's portfolio growing from a \$180 million appropriation to a \$30 billion portfolio was also mentioned. A return trip is planned for March 3-6 to speak at a Council of Developmental Finance Sustainable Finance Coalition Symposium and to meet with several more groups, elected officials and staff to discuss the I-Bank in relation to a proposed national infrastructure bank.
- The I-Bank has received notice that the IRS is performing a routine random audit of a conduit bond transaction issued by the I-Bank in 2004. Mr. Hazelroth assured the Board that they will be informed as the audit proceeds.
- An update on the conduit bond transaction for COPIA, the American Center for Wine, Food and the Arts included:
 - COPIA filed an application for a settlement agreement between COPIA, the Bank of New York Mellon Trust Company (BNY), the trustee for the 2007 bonds and

ACA Financial Guarantee (ACA), the insurer of the bonds. The terms of the proposed settlement include transferring the bond-financed project to BNY and ACA, certain real personal property and intellectual property owned by COPIA in which BNY and ACA will pay approximately \$330,000 to COPIA for payment to employees and other priority expenses.

- The I-Bank has learned that an unsecured creditor in the COPIA bankruptcy has filed an objection to the proposed settlement.
- The settlement will be considered by the bankruptcy court on February 27, 2009.
- COPIA is the only conduit revenue bond default the I-Bank has experienced, and at \$77 million, the transaction only constitutes 0.2% of the I-Bank's portfolio.

Consent Items:

3. Approve minutes from the meeting held on December 17, 2008.

Chairman Bonner called for questions or comments from the Board and the public. Hearing none, he entertained a motion to approve this item. Mr. Lujano moved to approve the minutes and Mr. Rice seconded the motion. The minutes were unanimously approved.

Action Items:

4. A resolution amending Resolution 08-25, adopted on August 21, 2008, which approved the sale, issuance and delivery of revenue bonds on behalf of Pacific Gas and Electric Company in an aggregate principal amount not exceed \$453,550,000 in exchange for certain revenue bonds currently outstanding in order to extend the authorization for the sale and issuance of the un-issued amount of such revenue bonds in an aggregate principal amount not to exceed \$50,000,000 from time to time but not later than August 25, 2009.

Ms. Connors presented a staff report describing the request to amend resolution 08-25, and explained that in August 2008, the I-Bank Board adopted Resolution 08-25 authorizing a refunding of Pacific Gas and Electric (PG&E) bonds that had been issued by the I-Bank in 2005 as auction rate securities. Resolution 08-25 approved \$435,550,000 to be sold in seven series. Six series have been sold; one series of \$50 million remains to be sold, and the delay has been due to disruption in the financial markets. Resolution 08-25 gave PG&E 90 days after the receipt by State Treasurer of a certified copy of the I-Bank resolution to complete sale and issuance of all the bonds. The certified copy was received by the Treasurer's Office on November 13, 2008; therefore, the 90 day period expired on February 11, 2009. The proposed amendment gives PG&E 180 days to complete the issuance the last series of bonds, which staff believes is a reasonable and customary time frame to extend the issuance date.

The Board discussed the possibility that, due to uncertainties in the financial markets, there would be a need for another extension if the bonds are not issued by August 2009, and the incurrence of additional staff time related to a second extension. Chairman Bonner stated that given the current market circumstances he felt it appropriate to grant the Executive Director the authority approve another six month extension to issue the bonds. Mr. Lujano requested that the Executive Director report any extension to the Board approximately one month prior to the

granting of the extension and that this requirement did not need to be added to the resolution. Mr. Bonner confirmed that the resolution shall be amended to authorize the Executive Director discretion to extend the time period to sell bonds by six months.

Chairman Bonner called for additional questions or comments from the Board or the public. Hearing none, he entertained a motion to approve amended Resolution 09-03. Mr. Rice moved to approve the amended resolution and Ms. Rockwell seconded the motion. The Board unanimously approved the amended resolution.

5. A resolution authorizing an amendment to the special counsel services contract with Stradling Yocca Carlson & Rauth to increase the total amount of the contract authority to an amount not to exceed \$150,000.

Ms. Arnold discussed a proposed amendment to the special counsel services contract with Stradling, Yocca, Carlson & Rauth to increase the total amount of the contract authority to an amount not to exceed \$130,000. She explained that the increase was necessitated by the need to hire outside counsel to act as the I-Bank's issuer's counsel for several bond transactions during a period of time that the I-Bank was without general counsel. Ms. Arnold responded to a question by Chairman Bonner and confirmed that the agenda item was prepared prior to the final analysis of the contract increase calculations, and that the revised contract amount proposed in the resolution is \$130,000.

Chairman Bonner called for questions or comments from the Board or the public. Hearing none, he entertained a motion to approve Resolution 09-04. Ms. Rockwell moved to approve the resolution and Mr. Rice seconded the motion. The Board unanimously approved the resolution.

6. A resolution superseding Resolution 06-37 delegating to the Executive Director certain authority to act on behalf of the California Infrastructure and Economic Development Bank in relation to financing public development facilities pursuant to the Infrastructure State Revolving Fund Program (ISRF Program), including the authority to execute certain documents in relation to such financings; to approve certain post-approval changes to the terms of the transaction; and to enter into amendments to certain financing documents and security documents, including those to modify certain financing terms.

Ms. Arnold informed the Board that staff is requesting permission to clarify the existing Executive Director Board-delegated authority as that authority relates to the Infrastructure State Revolving Fund (ISRF) Program, and that corresponding updates to the Executive Director's delegated authority as it related to bonds issued by the I-Bank was approved by the Board in November 2008, in Resolution 08-35. Ms. Arnold then gave a detailed description of the proposed Executive Director delegation authority that included a delegation to the Executive Director: (1) to execute and deliver for and on behalf of the I-Bank all resolutions adopted by the Board; (2) to approve, execute and deliver agreements and amendments thereto which are consistent with the terms of the transaction approved by the Board, consistent with the Board-approved criteria for the ISRF Program (except, for amendments, consistency is not required with those provisions pertaining to the application for financing approval, or scoring for prioritizing projects), do not materially adversely affect the I-Bank's security or any series of

ISRF Program Bonds, or do not change a specified listing of substantive and material terms of each ISRF Program transaction enumerated in the proposed resolution 09-05.

Chairman Bonner called for questions or comments from the Board or the public. Ms. Rockwell requested that the reference to 63010(p) in the staff report and the resolution be corrected to read 63010(q). Hearing no more questions or comments, Chairman Bonner entertained a motion to approve Resolution 09-05. Mr. Lujano moved to approve the resolution and Mr. Rice seconded the motion. The Board unanimously approved the resolution.

7. A resolution superseding Resolution 00-32 and directing I-Bank staff regarding the interpretation of “public development facilities,” “public parking facilities” and “non-profit corporations” in relation to the operation of the ISRF Program and approving the financing of costs paid or incurred by ISRF Program project sponsors prior to the effective date of financing agreements.

Ms. Arnold apprised the Board that staff is requesting permission to clarify another existing I-Bank Board resolution pertaining to the ISRF Program to instruct staff on when ISRF Program financing funds can be used to reimburse eligible costs paid by project sponsors, and direct staff on the interpretation of statutory definitions of eligible public development facilities and eligible sponsor as that term relates to a nonprofit corporation. Ms. Arnold explained that the existing Resolution 00-32 was adopted in 2000 and that staff concluded it should be updated to be consistent with the current financing needs of the program. Ms. Arnold confirmed that the proposed resolution, if adopted, would replace Resolution 00-32 in its entirety, and that one board member wished to discuss the possibility of clarifying at this time only that portion of Resolution 00-32 that relates to reimbursement of certain eligible project costs, allowing for additional time to consider the other items contained in Resolution 00-32, including interpretation of the statutory definitions of public development facilities, a delegation to the Chair to make a public development facility eligibility determination, eligibility findings as they relate to parking facilities and clarification of the non-profit corporations as eligible sponsors.

Ms. Arnold responded to Mr. Lujano’s concern about the possibility of postponing a decision on amendments to supersede Resolution 00-32 to another date and stated that certain clarifications to the funding and/or reimbursement of project preliminary costs, land costs and other project costs were necessary for the Board to proceed with considering the ISRF Program loans on this meeting’s agenda. Chairman Bonner expressed a concern about impacts of federal stimulus funds on the ISRF Program as it relates to project eligibility. Mr. Rice recommended that the Board consider just the reimbursement of eligible project cost issue in the resolution being considered and to consider the remaining Resolution 00-32 items at a later date in conjunction with updates to the ISRF Program criteria. Chairman Bonner agreed, and Ms. Arnold confirmed for the Board that the proposed resolution can be amended so as to not supersede sections 1, 2 and 3 of Resolution 00-32, and that the proposed Resolution 09-06 be amended to only include clarification of the eligibility of project costs that can be reimbursed and/or paid from the proceeds of ISRF Program financings.

Chairman Bonner called for additional questions or comments from the Board or the public. Hearing none, he entertained a motion to approve the amended Resolution 09-06. Mr. Rice

moved to approve the amended resolution and Ms. Rockwell seconded the motion. The Board unanimously approved the amended resolution.

8. A resolution approving ISRF Program financing for the City of Lawndale, in an amount not to exceed \$830,100 to finance a public development facility in the City of Lawndale known as the Charles B. Hopper Park Project.

Ms. Cummings reported that the City of Lawndale requests ISRF Program financing for the Charles B. Hopper Park Project. Ms. Cummings described the Project, stated that the Project would be only the second park in the City of Lawndale, and that the city has the lowest ratio of park space per resident of the sixteen cities and one unincorporated area in Southern California's South Bay region. Ms. Cummings also mentioned that the park is near a redevelopment area, and will assist the City's revitalization and business attraction efforts.

Chairman Bonner called for questions or comments from the Board or the public. Hearing none, he entertained a motion to approve Resolution 09-07. Mr. Lujano moved to approve the resolution and Mr. Rice seconded the motion. The Board unanimously approved the resolution.

9. A resolution approving ISRF Program financing for the City of Newman, in an amount not to exceed \$3,166,900 to finance a public development facility in the City of Newman known as the Wastewater Treatment Plant Storage Basin Expansion Project.

Ms. Cummings reported that the City of Newman requested ISRF Program funding to construct a 39 acre treated wastewater storage basin that includes an irrigation pump station with related piping, a recirculation stub-out and re-grading an access road. Ms. Cummings explained that the Project is needed to bring the City's wastewater storage capacity into compliance with the Regional Water Quality Control Board's standards for 100-year storm events. She also mentioned that the Project will enhance the City's ability to market its industrial park area. Chairman Bonner requested that future ISRF Program staff reports focus more on the economic development aspects of the project.

Chairman Bonner called for questions or comments from the Board or the public. Hearing none, he entertained a motion to approve Resolution 09-08. Mr. Rice moved to approve the resolution and Mr. Lujano seconded the motion. The Board unanimously approved the resolution.

Other Non-Action Business.

Chairman Bonner called for any other business; there was none.

Public Comment.

Chairman Bonner called for any public comment; there was none.

Adjournment.

Chairman Bonner declared the meeting adjourned at approximately 2: 40 p.m.